

Example 2. Assume the same facts as in example (1), except that B earmarks the contribution solely to further the candidacy of D. B may not elect the credit under section 41 or deduction under section 218 for the 1977 contribution.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-3A Same—unspent contributions.

(a) *General rule.* Except as provided in paragraph (b) of this section, all unspent political contributions must be used within a reasonable period of time to make a deposit or contribution described in section 527 (d).

(b) *Special rules—(1) Candidates.* An individual who was a candidate may retain unspent political contributions in reasonable anticipation of using them solely to support his or her future candidacy for any Federal, State, or local elective public office.

(2) *Campaign committee.* A campaign committee may retain unspent political contributions in reasonable anticipation of using them to support the future candidacy of any individual for any Federal, State, or local elective public office.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-4A Same—procedure for electing a credit or deduction.

(a) *Scope note.* This section prescribes procedures for making the election under sections 41 and 218 to take either a credit or deduction for political and newsletter contributions.

(b) *How to elect.* A taxpayer elects the credit or deduction by making the appropriate entries on his or her income tax return for the taxable year in which the contribution is made.

(c) *Changing or revoking one's election.* The election may be changed or revoked. Thus, a taxpayer may change an election from credit to deduction or vice versa. In addition, if a taxpayer elects a credit or deduction for a particular taxable year to which, it later turns out, he or she is not entitled, the taxpayer must pay any additional tax that is due as a result. A taxpayer may

change or revoke the election by use of an amended return.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-5A Same—verifications.

This section prescribes rules under sections 41(b)(3) and 218(b)(2) to tell a taxpayer how to verify political and newsletter fund contributions for which a credit or deduction is claimed. A taxpayer must have a written receipt to substantiate any claim that a contribution was made. A cancelled check, the payee of which is a person or fund described in section 41(c) (1) or (5), ordinarily meets this requirement. However, in appropriate cases, the Internal Revenue Service may require a taxpayer to furnish additional proof that the payee was a person or fund described in section 41(c) (1) or (5), or that the purpose of the payment was to make a political or newsletter fund contribution.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-6A Same—taxation of certain organizations.

See section 527 and the regulations thereunder for the tax treatment of a person or fund described in section 41(c) (1) or (5) that is treated as a section 527(e)(1) political organization.

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-7A Same—transitional rule for past contributions.

A credit or deduction for a political contribution the payment of which was made before January 1, 1980 will be allowed if it meets the requirements for a credit or deduction under the notice of proposed rulemaking published on September 19, 1972 (37 FR 19140).

[T.D. 7603, 44 FR 18223, Mar. 27, 1979. Redesignated by T.D. 8251, 54 FR 21204, May 17, 1989]

§ 1.41-8A Same—effective dates.

(a) *Political contributions.* Except as otherwise provided, these regulations apply to political contributions made in taxable years of the contributor beginning after December 31, 1971.

(b) *Newsletter fund contributions.* These regulations apply to newsletter